

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6104**

**BILL NUMBER:** HB 1056

**NOTE PREPARED:** Oct 27, 2006

**BILL AMENDED:**

**SUBJECT:** 1977 Fund Benefit Enhancement.

**FIRST AUTHOR:** Rep. Kuzman

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill, for a member of the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) who retires after June 30, 2007, increases from 1% to 1.25% the amount by which the retirement benefit increases for each six months of active service greater than 20 years and less than 32 years. It increases from 6% to 8.3% the percentage of the salary of a first class patrolman or firefighter contributed by or on behalf of a 1977 Fund member or converted member to pay for the benefit increase.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The increase in unfunded actuarial accrued liability is estimated to be \$91.1 M. The bill specifies that the employee contribution rate is to increase from 6.0% to 8.3%. The employer contribution rate (as a percent of first class salaries) will need to increase from the current 21.0% to 21.2%. Also, there will be a decrease in funded status (ratio) from 95.8% to 91.7%.

**Explanation of Local Revenues:**

**State Agencies Affected:** Public Employees' Retirement Fund as administrators of the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

**Local Agencies Affected:** Those municipalities with members in the 1977 Police Officers' and Firefighters'

Pension and Disability Fund.

**Information Sources:** Doug Todd of McCready & Keene, Inc., actuaries for PERF and the 1977 Police Officers' and Firefighters' Pension and Disability Fund, 317-576-1508

**Fiscal Analyst:** James Sperlik, 317-232-9866.

**DEFINITIONS:**

Funded Status or Funded Ratio - The ratio of assets of a pension plan to its liabilities.

Unfunded Actuarial Liability -The actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.